



Cooperative Extension Service
College of Tropical Agriculture and Human Resources
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Financial Connections
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Banking Your Way to Success

Ron Wall, Department of Family and Consumer Sciences

Establish financial identity

Opening a bank account is one of the first steps in establishing your financial identity. A bank account gives you a financial address and helps pave the way for establishing your identity as a financially responsible person. A well-managed bank account can be used to show that you have the means, stability, and responsibility to rent an apartment, pay for utilities, or assume a job.

A bank account is just one part of your financial identity, but it is a very important part. Not having one makes it difficult for those in the business and financial communities to assume that you are ready to accept more responsibility and go forward financially.

Many practical advantages

A bank account gives you a place where you can deposit and cash your checks without the high costs of payday lenders. It also gives you a way of paying your bills by writing checks, which is safer than cash and more convenient than buying money orders. You can also pay some bills, like your utility bills, automatically. This saves you the time, worry, and cost involved in writing and sending checks every month.

A bank account also gives you a safe place to store your money until you need it, retrieve it when you need it, and earn interest on it until you need it. Interest can be earned on money in checking or savings accounts in accordance with the bank's policies. Money can be retrieved by using checks, tellers, automated teller machines, and debit cards. And each account is insured up to \$100,000 by a federal government agency.

Getting the best deal

When you open a bank account you are entering an agreement with the bank. The bank intends to make money on your account through service charges and whatever interest it earns on your money. You intend to make the best use of the bank's services at the lowest cost to you and the highest interest paid to you. Some

banks charge a monthly service fee or per-check fee on their checking accounts. Others charge a monthly service fee only if your balance drops below a certain amount for the month. Still others will pay interest even on checking accounts as long as your balance stays above a certain amount for the month. Each institution has its own policies, requirements, and charges. You need to compare them before you open an account.

In fact, credit unions usually have the lowest charges on services and loans. Generally, they also pay the highest interest on deposits. Credit unions may be viewed as member-owned banks serving a specific field of membership. Savings and Loans, which are sometimes referred to as savings banks, specialize in mortgages and may also offer both checking and savings accounts. Before deciding which institution is best for you, it pays to shop around. You need to determine your needs and compare the banking institutions available to you in terms of the services, fees, interest, and convenience that they offer.

Know your bank's policies

When you deposit a check, the money may not be available to you immediately. What is called a check-clearing period is the time required for funds deposited by check to become available to the account holder. This period, which is written in your account agreement and posted, is usually around three business days for a local check and up to two weeks for an out-of-state check.

If your account balance is greater than the amount of a check you wish to cash, you can usually withdraw the full amount of the check. Otherwise you may only be able to withdraw a small portion and must wait to withdraw the rest.

One way to ensure that the full amount of a check, such as your paycheck, will be available to you as soon as possible is to have it deposited directly into your account. Direct deposits made by electronic transfer are fully available to you as soon as they are received by your bank.

Lessons to remember

Open a bank account as an important first step in establishing your financial identity. Shop around to get the best banking deal available. And make wise use of the services banks provide. All this can help you progress and prosper financially.

Banking glossary

Automatic payment plan. An agreement to have the bank pay certain bills from one's account.

Automated teller machine (ATM). An electronic machine that enables account holders to perform banking transactions outside of the bank.

Account balance. The amount of money in an account that is available to the account holder.

Check-clearing period. The time required by the bank for deposited checks to be credited to an account and available to the account holder.

Checks. Special paper slips used to pay bills and make withdrawals from checking accounts.

Debit card. A card for making purchases or cash withdrawals directly from a checking account.

Deposit slips. Special paper slips used to deposit or put cash and checks into a checking account.

Direct deposit. A system by which a company or employer is allowed by prior agreement to make deposits directly into a bank account.

Personal identification number (PIN). A number used to gain access to an account from an ATM.

Payable on death (POD). Document naming the people to receive account upon death of owner.

Signature card. A card signed by account holder to provide a sample by which to verify signature.

Circle each statement T (true) or F (false)

- | | | |
|---|---|---|
| T | F | 1. Having a bank account helps to establish one's financial identity. |
| T | F | 2. Money deposited by check is always available on the day it is deposited. |
| T | F | 3. Direct deposit ensures a paycheck will be available on day of deposit. |
| T | F | 4. Anyone can deposit or withdraw money from any checking account. |
| T | F | 5. Banks intend to make money by charging fees for their services. |
| T | F | 6. Credit unions can be viewed as member-owned banks. |
| T | F | 7. Credit unions usually charge the highest service fees and interest. |
| T | F | 8. Payday lenders usually charge much more for check cashing than banks. |
| T | F | 9. You can usually cash a check for a sum that is more than your balance. |
| T | F | 10. Bank accounts are insured by an agency of the federal government. |
| T | F | 11. It pays to shop around before deciding what bank is best for you. |
| T | F | 12. You can have some bills paid for you directly from your account. |

Find the match at right for each numbered item below

- | | |
|---------------------------------|---|
| ___ 1. Signature card | a. Time for check to be credited to account. |
| ___ 2. Account balance | b. Number needed to access account at ATM. |
| ___ 3. Checks | c. Bank pays certain bills from one's account. |
| ___ 4. Debit card | d. Card used to verify one's signature. |
| ___ 5. Direct deposit | e. Slips used to put money into an account. |
| ___ 6. Automated teller machine | f. Money available to account holder. |
| ___ 7. Check-clearing period | g. Slips used to access money in an account. |
| ___ 8. Automatic payment plan | h. Electronic machine for bank transactions. |
| ___ 9. PIN | i. Enables purchases directly from account. |
| ___ 10. Deposit slips | j. Money is transferred directly into an account. |

Matching Answers: 1d, 2f, 3g, 4i, 5j, 6h, 7a, 8c, 9b, 10e, 11f, 12j. True/False Answers: 1T, 2F, 3T, 4F, 5T, 6T, 7F, 8T, 9F, 10T, 11T, 12T.